

Memorandum

MIAMI-DADE
COUNTY

Date: March 6, 2007

To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

From: George M. Burgess
County Manager

Agenda Item No.

12(B)8

Subject: Report Regarding Issuance of a Request for Proposals for a Self-funded Medical Program

The purpose of this report is to notify the Board of County Commissioners of my intent to authorize the issuance of a Request for Proposals (RFP) to select a healthcare plan to provide a self-funded program to be offered to Miami-Dade County and Public Health Trust employees and retirees effective January 1, 2008. The program will include three plan choices: a Point of Service (POS), a High Option Health Maintenance Organization (HMO) and a Low Option Health Maintenance Organization (HMO). In addition, in order to address the approximately 2,600 County employees who are not eligible to participate in a County plan due to their status (seasonal or temporary) or the number of hours they work, staff will facilitate opportunities for health plan(s) to offer their programs directly to these employees. There will be no cost to the County for these plan(s).

The cost of healthcare continues to increase and may be unaffordable for some employees who wish to cover their dependents, and for some County retirees. Representatives of the County's Collective Bargaining Units have made it clear that reducing dependent premiums is a priority. Staff has carefully reviewed current healthcare coverage and cost, and has developed a strategy designed to reduce the cost of dependent healthcare, while preserving the current level of benefits we offer our employees. Employee input was a critical element of this review.

In March 2006, a healthcare survey (copy attached) was mailed to 26,818 County employees actively participating in the County's health insurance plans. A total of 5,919 surveys, or 22.1% were returned. Employees were asked for opinions regarding current programs, to indicate the most important criteria considered in making a health plan selection, and to evaluate options leading to reduced premium costs. Following the employee survey, we conducted 10 focus groups throughout the County, with a cross representation of departments, unions, and health plan participation. The focus groups generated discussion and reinforced the survey findings. The effort culminated in a June 2006 Employee Healthcare Forum, during which the survey and focus group results were presented. Employees who attended the Forum were provided an additional opportunity to voice their opinions about healthcare products and services.

Employee feedback produced several key findings:

- The primary consideration for selecting their healthcare program is whether or not their physician is part of the network. (See Question 1a in attached survey)
- The majority of employees were satisfied with the overall value of their plan. (See Question 8a)
- More than half of the employees supported reducing the total number of medical plans that are offered in order to control premiums. (See Question 6a)

Though most of the responses we received were not surprising, one statistic was particularly troubling: 19% of our employees who responded to the survey and have children indicated that they do not have any health insurance coverage for their children.

Plan Consolidation

Pooling employees together in one plan, with multiple options, is advantageous in that it combines high and low risk users. The current offering of five vendors (one POS and four HMOs) provides little or no advantage to County employees and their dependents. Over the past few years, there has been a trend towards significant consolidation in the health insurance market, as well as the standardization of various health plan offerings. In the past, offering a wide choice of vendors created a competitive environment and offered employees options in terms of plan design and provider networks. Today there is extensive overlap in provider networks, nearly identical plan designs and narrow cost differentials. Consequently, while our employees may choose from four HMOs, the similarities in plan design, networks, and premiums actually result in limited actual "choice."

Because employees indicated a high level of satisfaction with the value provided by our current plans, staff will be seeking proposals which mirror (or exceed) our current plan design. Deductibles, co-insurance levels, and co-payments will not be altered. In addition to offering a Point of Service Plan and a "high" HMO which mirrors our current HMO program, employees, at their sole discretion, may opt for a "low" HMO. This "low" option would cost employees less bi-weekly, in exchange for higher co-payments for services. This option may be of interest to an employee whose children and/or family visit the doctor a relatively few times each year.

Additionally, in order to protect an employee's ability to continue using their current healthcare provider(s), the RFP includes a disruption analysis to match our employees' current provider utilization against the proposers' networks. We will be able to identify which of the plans will provide our employees with the best match in terms of maintaining provider relationships. One of the most important features for County employees is to have available providers that they currently use. The County will use the data from the disruption analysis to maximize the number of network plan providers that match the current providers utilized.

We also recognize that access to prescription drugs is important to our employees and retirees. The RFP also includes a thorough analysis to match the drug formulary of each proposer against the prescriptions currently utilized by our plan participants. We will be able to identify any frequently utilized drugs to determine if the proposed drug formulary presents a cost, or access, issue to our employees.

Self-Funding

Modifying the existing HMO funding structure from fully insured to self-funded will achieve significant savings in the non-claims component of premiums, which includes excess administrative and risk charges, as well as profit margins. An analysis of the non-claims cost associated with our current fully insured plans for 2005 reflects expenses ranging from 15.3% to 25.8% of premiums, while our self-funded Point of Service Plan had only a 4.1% non-claims expense. Typically, non-claims expenses range from 4% to 7% in a self-funded environment. Using a conservative 7% projection, the savings resulting from the reduction in non-claims expenses based on 2007 rates would have been approximately \$22 million.

Miami-Dade County has self-funded a Point of Service Program since 1995. Prior to that, the Preferred Provider Organization (PPO) with MetLife was self-funded. The risk in self-funding any program is in the ability to reasonably estimate how much the plan will cost, and adequately fund to cover those costs. Each of our current plans has sufficient data on our claims history to accurately project and fund anticipated costs. Additionally, the RFP includes a provision for stop loss coverage which will protect the County from unanticipated increases in plan costs. The move from a fully insured to self-funded

program will be managed with a focus on a smooth and transparent transition for our employees. County staff will continue to receive healthcare coverage from a health plan provider, using the same processes they currently utilize, and with no increase in their out of pocket costs.

Rate Re-Tiering

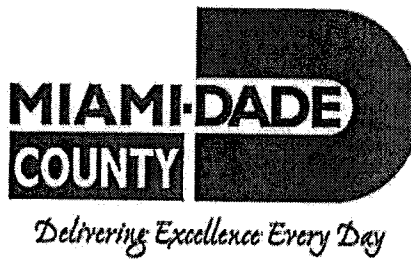
Because the County pays the entire cost of employee-only coverage, our current HMO plans have set the single rate higher than it should be, thereby keeping dependent rates artificially low. By setting the self-funded rates at the appropriate ratio level, the County's cost for employee coverage will be lower. Had this been done for the 2007 plan year, the projected savings would have been approximately \$23 million. At the same time, we will revise our current tiers from: employee only, employee + one, and family (three tiers) to employee only, employee + spouse, employee + child(ren), and family (four tiers). Because children are typically less expensive to cover, this action will significantly reduce premiums for our employees who wish to cover a child or children only.

Our primary goal is to reduce dependent premiums to an affordable level without impacting the current level of benefits. As such, I am recommending that the approximately \$45 million in projected savings be applied toward reducing dependent premiums. There are a number of alternatives available in terms of how savings will be distributed. Exhibits I and II are illustrative of the impact these savings would have made on the current (2007) premium. Exhibit I illustrates what the premiums would have been by applying all of the anticipated savings to active employees. In Exhibit II, savings are used to reduce both active employee and retiree premiums.

The proposed approach, which changes our funding platform from fully insured to self-insured, and consolidates the number of plans offered, presents the County with a very viable alternative with a favorable impact on premiums. This recommendation benefits the 12,837 County and Public Health Trust employees who currently carry dependent coverage, the many employees with dependents who currently do not have any medical coverage for their children, and approximately 2,000 County and Public Health Trust retirees. A selection committee of senior management staff will review and rank the responses to the RFP. A recommendation to the Board is anticipated in July, 2007, with a January 1, 2008 implementation date.



Assistant County Manager



2006 Employee Survey on Health Care

Purpose

The purpose of this survey is to learn about employees' health care preferences. Your collective responses will provide valuable information for Miami-Dade County's long-term planning process. In particular, this survey will be instrumental in helping the County understand how to provide health benefits to employees in the future. Please take a few minutes to respond.

Note: Instead of completing this paper survey, employees may provide their responses online through Miami-Dade County's Employee Web Portal.

- If you have access at work, locate "Site Highlights" on the right side of the page, click on Healthcare Benefits and then select the Employee Survey button in the Main Menu on the left.
- If you wish to access the survey from outside the office, type the following link into your browser: <http://www.miamidade.gov/Benefits>, click on Healthcare in the Main Menu on the left, then select the Employee Survey button.

The online instructions are easy to follow. There is no need to return this paper survey if you respond online.

Confidentiality

All completed surveys and any individual responses will be kept strictly confidential.

Instructions

Please complete this survey and return it before March 18, 2006. Your completed survey should be sent to Deloitte Consulting LLP in the enclosed postage-paid return envelope. Please read each statement or question carefully, then fill in your response. There are no right or wrong answers.

MARKING INSTRUCTIONS

- Use a No. 2 pencil or a blue or black ink pen only.
- Do not use pens with ink that soaks through the paper.
- Make solid marks that fill the response completely.
- Make no stray marks on this form.

CORRECT: ●

INCORRECT: ☑ ☒ ○ ⊖

1. The primary reasons I selected my 2006 County-sponsored medical plan include:

- a. Choice of physicians/primary care physicians
- b. Convenient location of physicians/primary care physicians
- c. Choice of specialists
- d. Convenient location of specialists
- e. Choice of hospitals
- f. Convenient location of hospitals
- g. Level of cost for coverage (payroll deduction)
- h. Level of out-of-pocket costs (e.g., deductibles, co-insurance and co-payments)

STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	DON'T KNOW
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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2. Under what medical plan does your child or children have coverage?

- ☐ I do not have child(ren)
- ☐ Child(ren) covered only under my medical plan at the County
- ☐ Child(ren) covered only under other parent's medical plan
- ☐ Child(ren) covered under both my plan with the County and other parent's medical plan
- ☐ Child(ren) are not covered by any medical plan

STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	DON'T KNOW
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3. If the County offered a cash incentive to decline medical plan coverage, provided I could obtain coverage elsewhere, I would elect the cash incentive.

4. Over the past 12 months, out-of-pocket costs under the medical plan (excluding any payroll deduction costs) for myself and my dependents, if any, are estimated to be:

- ☐ Less than \$100
- ☐ \$100 – \$249
- ☐ \$250 – \$499
- ☐ \$500 – \$1,999
- ☐ \$2,000 or more
- ☐ Don't Know

5. Over the past 12 months, how many times in total have you and your dependents visited a doctor or hospital?

- ☐ None
- ☐ 1 to 2
- ☐ 3 to 4
- ☐ 5 to 10
- ☐ More than 10

5

6. The following changes should be considered by Miami-Dade County to maintain overall quality of care and to better control future cost increases:

- Reduce the total number of medical plans that are offered to lower administrative expenses and better control premium
- Moderate increase in co-payments for medical services to reduce payroll deduction increases
- Require substitution with less expensive generic prescription drugs
- Moderate increase in co-payments for prescription drugs to reduce payroll deduction increases
- Introduce deductibles and co-insurance for certain in-network medical services
- Introduce small payroll deduction for employee only coverage for all medical plans to keep benefit levels at or near current level
- Introduce small payroll deduction for those enrolled for employee only coverage for all medical plans to reduce payroll deduction for those enrolled for dependent coverage

STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	DON'T KNOW
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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7. If it's absolutely necessary for Miami-Dade County to make changes in the group medical program in response to rising medical costs, which ONE of the following options do you prefer? (Check only one)

- ☐ Increase deductibles, co-insurance, and co-payments (to keep bi-weekly payroll deductions at or near current level)
- ☐ Pay higher bi-weekly payroll deductions to maintain current level of benefits
- ☐ Pay significantly higher bi-weekly payroll deductions to improve current level of benefits
- ☐ Reduce the total number of Medical Plans offered (i.e., AvMed, Cigna, Humana, JMH Health Plan and Vista) to lower administrative expenses and better control premium
- ☐ Other (please describe) _____

8. Please rate each of the following statements as to your level of agreement AND the level of importance to you.

Level of Agreement

AND

Level of Importance

- I am satisfied with the overall value provided by my medical plan.
- I have a responsibility to maintain a healthy lifestyle.
- I use the preventive services covered by my medical plan (such as physical exams, cholesterol and blood pressure screenings, mammograms, weight-loss programs, etc.).
- The services available from my medical plan are easy to use.
- My medical plan protects me in the event of an expensive illness.

STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	DON'T KNOW
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<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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VERY IMPORTANT	SOMEWHAT IMPORTANT	NOT AT ALL IMPORTANT	DON'T KNOW
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<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

9. In the last 12 months, from which of the following sources have you actually received information or advice on how you can stay healthy and take better care of yourself?
(select all that apply):

- ☐ physician/primary care physician
- ☐ local pharmacist
- ☐ medical plan's web site
- ☐ medical plan's written material
- ☐ medical plan's customer service line or onsite representative
- ☐ Miami-Dade County's benefits web site
- ☐ Miami-Dade County's benefits written material
- ☐ Miami-Dade County's benefits staff
- ☐ Outside sources (e.g., friends, relatives, TV, radio, books, magazines, etc.)

10. In the future, which ONE of these sources would you most prefer to use for information or advice on how you can stay healthy and take better care of yourself?
(Check only one):

- ☐ physician/primary care physician
- ☐ local pharmacist
- ☐ medical plan's web site
- ☐ medical plan's written material
- ☐ medical plan's customer service line or onsite representative
- ☐ Miami-Dade County's benefits web site
- ☐ Miami-Dade County's benefits written material
- ☐ Miami-Dade County's benefits staff
- ☐ Outside sources (e.g., friends, relatives, TV, radio, books, magazines, etc.)

Miami-Dade County

Exhibit 1

Illustrative 2007 4-Tier Rates Resulting from Application of Self-Insurance Savings to active employee premiums only

Current		Proposed			
AvMed HMO		AvMed HMO			
	2007 BI-Weekly Net EE Contribution		Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution
Single	\$0.00	Single	\$0.00	\$0.00	N/A
Ee+Spouse	\$163.23	Ee+Spouse	\$106.61	(\$56.62)	-34.7%
Ee+Chld	\$163.23	Ee+Chld	\$74.63	(\$88.61)	-54.3%
Ee+Children	\$221.41	Ee+Children	\$74.63	(\$146.78)	-66.3%
Family	\$221.41	Family	\$181.43	(\$39.98)	-18.1%
Humana HMO		Humana HMO			
	2007 BI-Weekly Net EE Contribution		Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution
Single	\$0.00	Single	\$0.00	\$0.00	N/A
Ee+Spouse	\$182.21	Ee+Spouse	\$123.07	(\$59.14)	-32.5%
Ee+Chld	\$182.21	Ee+Chld	\$86.15	(\$96.06)	-52.7%
Ee+Children	\$246.38	Ee+Children	\$86.15	(\$160.23)	-65.0%
Family	\$246.38	Family	\$197.83	(\$48.55)	-19.7%
JMH HMO		JMH HMO			
	2007 BI-Weekly Net EE Contribution		Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution
Single	\$0.00	Single	\$0.00	\$0.00	N/A
Ee+Spouse	\$162.29	Ee+Spouse	\$113.54	(\$48.75)	-30.0%
Ee+Chld	\$162.29	Ee+Chld	\$79.48	(\$82.81)	-51.0%
Ee+Children	\$220.20	Ee+Children	\$79.48	(\$140.72)	-63.9%
Family	\$220.20	Family	\$188.79	(\$31.41)	-14.3%
Vista HMO		Vista HMO			
	2007 BI-Weekly Net EE Contribution		Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution
Single	\$0.00	Single	\$0.00	\$0.00	N/A
Ee+Spouse	\$147.63	Ee+Spouse	\$92.44	(\$55.19)	-37.4%
Ee+Chld	\$147.63	Ee+Chld	\$84.71	(\$62.93)	-56.2%
Ee+Children	\$199.61	Ee+Children	\$84.71	(\$134.90)	-67.6%
Family	\$199.61	Family	\$160.25	(\$39.36)	-19.7%
CIGNA POS		CIGNA POS			
	2007 BI-Weekly Net EE Contribution		Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution
Single	\$10.49	Single	\$10.38	(\$0.11)	-1.0%
Ee+Spouse	\$318.10	Ee+Spouse	\$208.41	(\$109.69)	-34.5%
Ee+Chld	\$318.10	Ee+Chld	\$147.71	(\$170.39)	-53.6%
Ee+Children	\$437.85	Ee+Children	\$147.71	(\$290.14)	-66.3%
Family	\$437.85	Family	\$289.02	(\$148.83)	-34.0%

Miami-Dade County

Exhibit 2

Active Employees

Illustrative 2007 4-Tier Rates Resulting from Application of Self-Insurance Savings to both active employees and retirees

Current		Proposed			
AvMed HMO		AvMed HMO			
	2007 Bi-Weekly Net EE Contribution	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution	
Single	\$0.00	\$0.00	\$0.00	N/A	
Ee+Spouse	\$163.23	\$117.56	(\$45.67)	-28.0%	
Ee+Child	\$163.23	\$82.29	(\$80.94)	-49.6%	
Ee+Children	\$221.41	\$82.29	(\$139.12)	-62.8%	
Family	\$221.41	\$187.55	(\$33.86)	-15.3%	
Humana HMO		Humana HMO			
	2007 Bi-Weekly Net EE Contribution	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution	
Single	\$0.00	\$0.00	\$0.00	N/A	
Ee+Spouse	\$182.21	\$135.71	(\$46.50)	-25.5%	
Ee+Child	\$182.21	\$95.00	(\$87.21)	-47.9%	
Ee+Children	\$246.38	\$95.00	(\$151.38)	-61.4%	
Family	\$246.38	\$203.84	(\$42.53)	-17.3%	
JMH HMO		JMH HMO			
	2007 Bi-Weekly Net EE Contribution	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution	
Single	\$0.00	\$0.00	\$0.00	N/A	
Ee+Spouse	\$162.29	\$125.21	(\$37.08)	-22.9%	
Ee+Child	\$162.29	\$87.64	(\$74.65)	-46.0%	
Ee+Children	\$220.20	\$87.64	(\$132.56)	-60.2%	
Family	\$220.20	\$193.14	(\$27.06)	-12.3%	
Vista HMO		Vista HMO			
	2007 Bi-Weekly Net EE Contribution	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution	
Single	\$0.00	\$0.00	\$0.00	N/A	
Ee+Spouse	\$147.63	\$101.93	(\$45.70)	-31.0%	
Ee+Child	\$147.63	\$71.35	(\$76.28)	-51.7%	
Ee+Children	\$199.61	\$71.35	(\$128.26)	-64.3%	
Family	\$199.61	\$166.10	(\$33.51)	-16.8%	
CIGNA POS		CIGNA POS			
	2007 Bi-Weekly Net EE Contribution	Proposed Employee Contribution	\$ Change to Contribution	% Change to Contribution	
Single	\$10.49	\$10.38	(\$0.11)	-1.0%	
Ee+Spouse	\$318.10	\$229.82	(\$88.28)	-27.8%	
Ee+Child	\$318.10	\$162.88	(\$155.22)	-48.8%	
Ee+Children	\$437.85	\$162.88	(\$274.97)	-62.8%	
Family	\$437.85	\$290.87	(\$146.98)	-33.6%	